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Agriculturally, Alaska is a sleeping giant. NRCS has identified between 15 and 17 million acres in Alaska that is suitable for agriculture, yet Agricultural Statistics Service estimates that we have approximately 1 million acres in production. Further, only 1 or 2 percent of the land base in Alaska is in private ownership with the majority of the land owned by governments. This lack of available land for the "next generation" of Alaskan farmers has pushed the price of land out of reach of all but the very wealthy. As an example, in a few days, the State of Alaska will offer at auction a 600 acre dairy farm with a minimum bid of 1.5 million dollars. It will be interesting to see how many "farmers" show up and bid. Land availability is not a USDA issue; however I hope that the 2007 farm bill will provide for assistance for the development of new farm land in Alaska.

Question # 2 asks how farm policy can maximize U.S. competitiveness. Try mandatory Country of Origin Labeling, especially on meat and poultry. Country of Origin Labeling is a great tool for U.S. consumers to differentiate U.S. products from products that are imported. Alaska's congressional delegation managed to save mandatory Country of Origin Labeling for fish and shellfish and the sky has not fallen in those markets as a result.

Alaska farmers face many problems. Our markets are unstable from year to year and what might be in short supply one year may be in surplus the next year. Purchasers of Alaska grown barley cannot depend on a steady supply and growers cannot depend on a steady market. The result is that much of the grain used in livestock feed in Alaska is shipped in from the lower 48 and also from Canada. Alaska probably consumes more Canadian barley than barley from the other states. We need to establish a certified warehouse in Alaska or find a method to qualify barley producers for Loan Deficiency Payments without a certified warehouse. If Alaskans could be sure of a stable market for their barley, more Alaskan barley would be available for livestock feed, perhaps at a lower cost. Presently, the most popular USDA program in Alaska is the Conservation Reserve Program. CRP pays farmers to NOT produce. Alaska Farmers Union believes we need application or modification of existing programs in USDA that will offer support for Alaskan producers.

We believe there should be a cap on government payments to individual farms and that the loop holes used to avoid those caps should be closed.

Believe it or not, market concentration is an issue in Alaska. The Alaska Public Interest Research Group recently estimated that 80% of the food retail market in the rail belt area


was controlled by 3 corporations. This is an unhealthy situation for produce growers and consumers alike. Of these three stores, I believe only two of them purchase and retail Alaska Grown produce. These two giant grocery store chains place restrictions and requirements on our producers that effectively restrict access to the market place. Providing a free and transparent market must be one of the goals of the 2007 farm bill.

Farmers and ranchers are good stewards of the land. When administrating conservation programs in Alaska, USDA needs to recognize that construction time is limited, and costs are higher, than in the rest of the U.S. We also want recognition that we are a pioneering state and there are large areas of Alaska that haven't been despoiled. We want flexibility within the conservation programs to allow for cost sharing to "do it right the first time". Presently, funds are only available to fix a problem but a producer is expected to bear the entire cost of all new construction. This provides an incentive to do the least possible, create an environmental problem and then apply for assistance to correct the problem.

The Farm Service Agency is in the process of restructuring. The closure of some county offices is expected with a corresponding reduction in staff. Justification for this reduction is a lack of participation in FSA programs. The FSA recently had an outreach program, I'm sure to reach out to fishermen eligible for assistance under the Trade Adjustment Act. Farmers need the same kind of an outreach program, one that explains the programs, what the eligibility requirements are and how you sign up. A lack of participation is being used to justify this reduction in staffing and offices. Our fear is that implementation of the current proposal will lead to even less participation and the FSA will use that to justify leaving the State of Alaska entirely. We want an increase in participation in FSA programs that benefit Alaskan farmers. Many of the FSA programs will work in Alaska but we need the flexibility to apply programs to unique Alaskan situations either through regulation or legislation.

As a pioneering state, we need research and development in all phases of agriculture, including market research and production of value added products. A vegetable processing plant is in the works, to be co-located with the Mat-Su Borough School District Central Kitchen. A producer owned milk processing and bottling plant is in the early planning stages and could use assistance in marketing research and low interest financing. Alaska Farmers Union supports the continuation of Hatch formula funds for production agricultural research by the University of Alaska Agriculture and Forestry Experiment Station.

I am painfully aware of how small Alaska's agricultural industry is. Our total value of farm gate production isn't equal to one county in one of the large agricultural states. I am also aware that neither the U.S nor the rest of the world needs our food; however, Alaska needs our food. We haven't scratched the surface of Alaska's agricultural potential. I hope that USDA will continue to be a partner in our development through provisions of the 2007 farm bill.



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## AKFU Position Paper on Section 10906

The Alaska Farmers Union intends in this unsolicited position paper to clarify its position with respect to the type of legislation we would like to see our USDA agencies and legislators work towards. The AKFU believes that legislative and regulatory efforts should be focused on Sec 10906 (b)2(B) of the 2002 farm bill "...encouraging and assisting geographically disadvantaged farmers and ranchers...to participate equitably in the full range of agricultural programs offered by the Department of Agriculture." We firmly support incentives which encourage the production of agricultural products within the state, and oppose any which give incentive to the import of competing products.

AKFU believes that solutions under Section 10906 should at least be oriented towards market principles practiced in other states. The easiest way to assure this is to make sure that Alaska farmers have access to the same production based subsidy programs as other U.S. farmers.

The most obvious programs that can be fixed with minimal effort include the calculation of Posted County Prices (PCP), the lack of a single registered warehouse for the storage of grain in the State of Alaska, the lack of a port elevator price in Alaska, and the inability of farmers to take advantage of a properly operating Commodity Credit Corporation (CCC) loan program, including the Loan Deficiency Payment (LDP). *All of these problems contribute to the imbalance of supply and demand for feed grains in Alaska. Thus, we have episodes of shortage and surplus with accompanying price effects. It is impossible for grain producers to be assured of a functioning market leading to profitability, and grain consumers cannot be assured of an in-state supply from year to year.* Additional problems in this sector include the lack of a Feed Labeling Law, which would require the Alaska Legislature to pass a law.

Therefore, it is AK Farmers Union position that all parties interested in the issue of commodity prices in Alaska should examine ways commodity markets work elsewhere and craft a solution to this problem in Alaska. If we want to increase production in Alaska, through subsidies, then we need to subsidize production. While AKFU supports any effort to benefit Alaska farmers, we feel it is time to start targeting subsidies towards production.

It is time to implement section 10906 (b)2(B) for the CCC loan programs, including the above mentioned problems with prices and lack of registered elevators in Alaska. We encourage our elected and appointed officials to prepare a report on these policies which are inappropriate in their present form for Alaska markets. Included in the report should be recommendations on how to bring these countercyclical production subsidies in Alaska into line with the effects of subsidies which farmers in other parts of the United States enjoy. Alaska Farmers Union believes very strongly in the fair application of existing farm subsidies in Alaska. In particular, we believe that subsidy programs for PRODUCTION must be emphasized.